

**The Internal Revenue Service Needs to Ensure  
the Accuracy of Publications**

**August 2001**

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**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

August 24, 2001

MEMORANDUM FOR COMMISSIONER ROSSOTTI

A handwritten signature in black ink, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - The Internal Revenue Service Needs to  
Ensure the Accuracy of Publications

This report presents the results of our review of the Internal Revenue Service's (IRS) controls over the accuracy of publications sent to taxpayers.

In summary, we found that the IRS does not have adequate controls to ensure all materials provided to taxpayers contain accurate information. In January 2001, the IRS sent two publications to taxpayers with incorrect telephone numbers. The incorrect telephone number on one of the publications had been distributed to 286,000 taxpayers from a program office and was not subjected to mandatory review under current guidelines. The other publication had been sent to relatively few taxpayers and contained an old number that the IRS had given back to the telephone company. This publication had been subjected to an annual review, but the incorrect telephone number was not detected. Accordingly, we recommended that the IRS:

- Require all publications be reviewed for accuracy each year before they are distributed to taxpayers. Specifically, this would mean that all publications from special program offices, such as the EITC Program Office, would be reviewed using the same procedures required by the Technical Publications Branch of Media and Publications to review mainstream publications.
- Ensure that information subject to change, such as telephone numbers and addresses, contained in materials sent to taxpayers is accurate by strengthening its IRM review guidelines.

IRS management agreed with our recommendations and will initiate corrective actions. Management's comments have been incorporated into the report, where appropriate, and the full text of their comments is included as an appendix.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions, or your staff may call M. Susan Boehmer, Acting Assistant Inspector General for Audit (Wage and Investment Income Programs), at (770) 936-4590.

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## **Executive Summary**

Each year the Internal Revenue Service (IRS) sends out hundreds of publications to taxpayers to try and help them meet their tax responsibilities. Most mainstream forms and publications go through a quality assurance process each year to help ensure that the information distributed to taxpayers is both helpful and accurate. In addition to those mainstream publications, individual program offices also send out publications that pertain specifically to their individual program areas. These program offices do not always have the same comprehensive control system to ensure the accuracy of publications originating from their offices.

In January 2001, the IRS sent two publications to taxpayers with incorrect telephone numbers. The incorrect telephone number on one of the publications had been distributed to 286,000 taxpayers from a program office and was not subjected to mandatory review under current guidelines. The other publication had been sent to relatively few taxpayers and contained an old number that the IRS had given back to the telephone company. This publication had been subjected to an annual review, but the incorrect telephone number was not detected.

Unfortunately, the incorrect telephone numbers in both publications referred taxpayers to adult content chat lines. Neither error was discovered until taxpayers complained about the wrong numbers. The IRS recognized the problem and took immediate actions to ensure the publications were no longer distributed.

The overall objective of the audit was to determine whether controls are in place to ensure that publications provide taxpayers with accurate information. We wanted to determine what allowed these incorrect telephone numbers to be issued and what could be done to minimize similar problems in the future.

## **Results**

There is a comprehensive set of quality controls for technical documents that are sent to taxpayers by the Technical Publications Branch of Media and Publications. There are also guidelines in the Internal Revenue Manual (IRM) for reviewing documents which include publications that are both contained in the IRM as exhibits and also mailed to taxpayers. However, for documents that fall outside of these mainstream forms and publications, there are little or no controls to ensure that all information that goes out to the public is accurate. Unless internal controls are properly implemented, taxpayers may receive inaccurate information that could prove embarrassing to the IRS, undermine the public's confidence in the IRS, and place an undue burden on taxpayers needing assistance.

### **Controls Do Not Ensure That Individual Program Offices Validate the Accuracy of Information in Publications They Distribute**

There are no written procedures in place in the Earned Income Tax Credit (EITC) Program Office regarding the clearance of publications initiated by that Program Office. The EITC Program Office sent out Publication 3721, which contained an incorrect toll free number, to 286,000 taxpayers. That number directed the caller to another 800 number that is an adult content chat line. The untitled Publication, which consisted of state agency telephone numbers, was provided by the Department of Health and Human Services and the telephone numbers were not verified by the EITC Program Office.

### **Controls to Ensure the Accuracy of Information in Publications Were Not Properly Implemented**

The annual review of the *Federal Tax Deposit (FTD) Checklist for Tellers and Taxpayers* (Publication 1510) did not detect an error. Publication 1510 is both an exhibit in the IRM and also sent to taxpayers. The Submission Processing Office of the Small Business/Self-Employed Division is responsible for conducting an annual review of the Publication using IRM guidelines. The Publication was distributed to taxpayers with a telephone number that the IRS had not used in years. The telephone company reassigned the number to a private business that operates adult content chat lines and the obsolete number was not identified during the annual review.

### **Summary of Recommendations**

To improve the quality of service provided to taxpayers, we recommend that the IRS establish a comprehensive set of internal controls to verify the accuracy of all materials that go out to the public, regardless of the originating office.

Management's Response: IRS management agreed with our recommendations and will establish a way to verify the accuracy of all materials for the public. Management's complete response to the draft report is included as Appendix IV.

### Objective and Scope

*We evaluated the controls the IRS uses to ensure publications provide taxpayers with accurate information.*

This report presents our evaluation of the Internal Revenue Service's (IRS) controls to ensure that written materials provided to taxpayers contain accurate information. The audit was initiated because it was brought to our attention that two publications contained incorrect telephone numbers for taxpayers to call for information. The IRS did not identify the problem until taxpayers contacted the IRS to complain. At that time, the IRS acted quickly to correct these individual problems.

We conducted the audit in Washington, D.C., during March and April 2001, in accordance with *Government Auditing Standards*. The overall objective of the audit was to determine whether controls are in place to ensure that publications provide taxpayers with accurate information. We wanted to determine what allowed these incorrect telephone numbers to be issued and what could be done to minimize similar problems in the future.

To accomplish this objective, we determined whether:

- Quality controls are in place and are sufficient.
- Quality controls are functioning as intended.

Details of our objective, scope, and methodology are presented in Appendix I. Major contributors to this report are listed in Appendix II.

### Background

*The IRS provides taxpayers with publications to help them fulfill their tax obligations.*

Each year the IRS sends out hundreds of publications to help taxpayers meet their tax obligations. These publications provide the taxpayer with information on everything from their rights as a taxpayer to helping them determine whether someone is an independent contractor or an employee. Most of the mainstream

## The Internal Revenue Service Needs to Ensure the Accuracy of Publications

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*Program offices do not always have a comprehensive control system to ensure the accuracy of the publications they initiate.*

forms and publications go through a comprehensive quality assurance process in the Technical Publications Branch of Media and Publications to help ensure the information distributed to taxpayers is both helpful and accurate.

Sections of the IRS' internal operating procedures, called the Internal Revenue Manual (IRM), also have a requirement for an annual review to ensure the material is accurate. These reviews include publications which are part of the IRM as exhibits and also sent to taxpayers. In addition to those mainstream publications, individual program offices also send out publications that pertain specifically to their individual program areas. These program offices do not always have the same comprehensive control system to ensure the accuracy of publications originating from their offices.

In January 2001, the Earned Income Tax Credit (EITC) Program Office and the Submission Processing Office of the Small Business/Self-Employed Division each distributed a publication with an incorrect telephone number for taxpayers to call for information. In both cases, the incorrect telephone number referred taxpayers to adult content chat lines. Both errors were discovered when taxpayers contacted the IRS to complain about the wrong numbers. To its credit, the IRS took immediate actions to remove the publications from distribution.

### Results

*The IRS does not require that all publications be reviewed to ensure the accuracy of all of the information it provides to taxpayers.*

This report presents two situations in which publications designed to assist taxpayers had the opposite effect. In the first case, a publication distributed by a special program office contained an incorrect telephone number for taxpayers to call. The incorrect number was not identified until taxpayers complained because there are little or no controls to ensure publications issued by these offices be reviewed for accuracy. Although this case occurred in the EITC Program Office, it could have occurred in any one of the other special program offices within the IRS.



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In the second case, the publication was one that was subjected to mandatory review; however, the accuracy of the telephone number was not verified.

Both cases represent worst case situations because the incorrect telephone numbers directed taxpayers to adult content chat lines. Providing inaccurate information to taxpayers, especially when that information could be embarrassing, undermines the public's confidence in the IRS and places an undue burden on taxpayers that have to locate the correct number. We believe that an effective system of controls would minimize the chance of inaccurate information being sent to taxpayers.

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### **Controls Do Not Ensure That Individual Program Offices Validate the Accuracy of Information in Publications They Distribute**

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The EITC Program Office sent an untitled Notice 3412 to 286,000 non-custodial parents who claimed the EITC on their tax returns, warning these taxpayers that they did not appear to be eligible to claim the credit. Publication 3721, an untitled publication, was sent along with Notice 3412 and contained telephone numbers of state agencies to call to clarify the custody issue. The telephone numbers in Publication 3721 were provided to the EITC Program Office by the Department of Health and Human Services (HHS). Unfortunately, the telephone number for one of the state agencies referred the caller to another 800 number that had adult content.

*The IRS took immediate action to discontinue the use of the Publication 3721.*

The 286,000 Notice 3412s with the enclosed Publication 3721 were mailed to taxpayers on January 6, 2001. On January 16, 2001, one of the IRS Service Centers notified the National Headquarters that a taxpayer had called to complain about the incorrect telephone number. On January 17, 2001, the IRS sent an alert message to discontinue use of the Publication 3721 enclosure that contained the incorrect telephone number for one of the state agencies.

Chief Counsel clears all technical issues coming out of the EITC Program Office. However, the EITC Program

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Office does not have written procedures to clear the other information on publications initiated by that office. Instead, the EITC Program Office relied on the HHS to provide accurate telephone numbers. As a result, the incorrect telephone numbers were not detected.

Management is responsible for establishing a system of internal controls to ensure the accuracy of information in notices and publications. Providing inaccurate information to taxpayers, especially when that information could prove embarrassing, undermines the public's confidence in the IRS and places an additional burden on taxpayers trying to comply with filing requirements.

### **Recommendation**

*We recommend that the IRS extend its quality control requirements to all publications sent to taxpayers.*

1. We recommend that the IRS require all publications be reviewed for accuracy each year before they are distributed to taxpayers. Specifically, this would mean that all publications from special program offices, such as the EITC Program Office, would be reviewed using the same procedures required by the Technical Publications Branch of Media and Publications to review mainstream publications.

Management's Response: To improve service, the IRS will establish a way to verify the accuracy of all materials for the public, regardless of the originating office.

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### **Controls to Ensure the Accuracy of Information in Publications Were Not Properly Implemented**

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The *Federal Tax Deposit (FTD) Checklist for Tellers and Taxpayers* (Publication 1510) was sent to taxpayers with a telephone number that the IRS had not used in years. The subject telephone number was originally assigned to TAXLINK, an electronic tax payment system, which ceased to exist at the end of 1997. The telephone number for TAXLINK was given back to the telephone company and was reassigned to a private

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*The IRS quickly stopped the distribution of the incorrect Publication 1510 after it received a complaint from a taxpayer about the erroneous telephone number.*

business that operates adult content chat lines. The Publication was sent to relatively few taxpayers.

Management learned about the erroneous telephone number in Publication 1510 after they received a complaint from a taxpayer on January 8, 2001, that the telephone number listed in the Publication referred the taxpayer to an adult content site. On January 9, 2001, the IRS sent a problem alert message to discontinue use of the Publication 1510. The Publication was revised and sent out for printing on January 10, 2001. As a result of our discussions with management, actions have been initiated to amend IRM guidelines to reflect a requirement for verification of telephone numbers.

Publication 1510, which is both an exhibit in the IRM and also sent to taxpayers, is one of the mainstream documents that the IRM requires to be reviewed each year to ensure its accuracy prior to distribution. However, the IRM provides general guidelines for reviewing the documents and does not provide a specific requirement that items subject to change, such as telephone numbers and addresses, be verified. The Submission Processing Office of the Small Business/Self-Employed Division is responsible for the annual review of the Publication. The reviewer who conducted the 1998 annual review did not ensure that all changes related to the obsolete information were actually made. Also, the staff who conducted the subsequent annual reviews in 1999 and 2000 did not detect the error.

Not only do incorrect telephone numbers cause a burden on taxpayers that rely on this information to fulfill their tax obligations, but in this case, it also tarnishes the image of the IRS.

### Recommendation

*Controls must be properly implemented to be effective.*

2. The IRS needs to ensure that information subject to change, such as telephone numbers and addresses, contained in materials sent to taxpayers is accurate by strengthening its IRM review guidelines.

## **The Internal Revenue Service Needs to Ensure the Accuracy of Publications**

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Management's Response: To improve service, the IRS will establish a way to verify the accuracy of all materials for the public, regardless of the originating office.

### **Conclusion**

The Technical Publications Branch of Media and Publications has a comprehensive set of internal controls to ensure the accuracy of information contained in most mainstream documents distributed to taxpayers. However, these requirements do not apply to publications issued by special program offices. We believe that all documents should be reviewed each year. Extending the annual review requirement to all documents could have prevented the incorrect telephone number from being listed in the Publication distributed by the EITC Program Office.

The second important element in an effective control system is that the control be properly implemented. The IRM contains general guidelines for reviewing documents and publications, but does not provide specific guidance for verifying published information such as telephone numbers and addresses. Neither incorrect number was identified until taxpayers called to complain. Unfortunately, both incorrect numbers directed taxpayers to adult chat lines. To its credit, the IRS took corrective actions to minimize the adverse impact as soon as the problem was identified.

The public relies heavily on the information provided by the IRS to fulfill their tax obligations. Accordingly, the IRS needs to strengthen controls to ensure the accuracy of written publications distributed to the public and be diligent in implementing those controls.

**Detailed Objective, Scope, and Methodology**

Our overall objective was to determine whether controls are in place to ensure that publications provide taxpayers with accurate information. We conducted our audit tests in Washington, D.C. To accomplish our objective, we performed the following audit tests:

- I. Determined whether quality controls are in place and are sufficient.
  - A. For internally developed forms and publications, we interviewed employees of the Technical Publications Branch of Media and Publications, which originates most of the Internal Revenue Service's (IRS) technical tax forms and publications. We also interviewed employees of the Earned Income Tax Credit (EITC) Program Office, which owns Publication 3721. Publication 3721 is an untitled publication that contains the telephone numbers of state agencies to call to clarify child custody information. In addition, we interviewed employees of the Submission Processing Office of the Small Business/Self-Employed Division, which owns the *Federal Tax Deposit (FTD) Checklist for Tellers and Taxpayers*, (Publication 1510). We obtained and evaluated the quality review procedures to determine if the procedures are sufficient.
  - B. During the course of the audit, we decided to focus on internally developed forms and publications only. Therefore, we did not obtain and evaluate procedures for forms and publications that are developed externally by contractors, vendors, etc.
- II. Determined whether quality controls are functioning as intended. (With the exception of test E, this sub-objective applied to Publication 1510 only).
  - A. We analyzed the Document Clearance Records, which are the official documents showing all changes, revisions, and approvals for annual clearance and issuance of the Internal Revenue Manual.
  - B. We assessed the actions taken by the IRS to identify and prevent errors on Publication 1510 by interviewing the owner of the Publication and reviewing the Document Clearance Records for the years 1998 and 1999. We obtained verbal information on the status of the annual review for the year 2000.
  - C. We assessed the actions taken by the IRS to correct errors by interviewing the owner of Publication 1510 and reviewing evidence of corrective actions.

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- D. We evaluated the priorities given to corrective actions to determine if errors were corrected timely by interviewing the owner of Publication 1510.
- E. We interviewed employees of the EITC Program Office to determine the number of taxpayers affected by the erroneous Publication 3721. We attempted to estimate the number of taxpayers affected by the incorrect Publication 1510 by reviewing printing and distribution reports generated by the Technical Publications Branch of Media and Publications.

**Major Contributors to This Report**

Walter E. Arrison, Assistant Inspector General for Audit (Wage and Investment Income Program)

Stanley Rinehart, Director

Stephen S. Root, Audit Manager

David Cox, Auditor

Charles Ekunwe, Auditor

Jacqueline Nguyen, Auditor

Susan Price, Auditor

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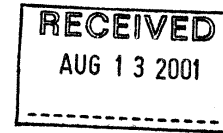


Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

August 13, 2001



MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: John M. Dalrymple  
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – The Internal Revenue Service Needs to  
Ensure the Accuracy of Publications (Audit No. 200140036)

Thank you for giving us the opportunity to review and respond to your draft report, "The Internal Revenue Service Needs to Ensure the Accuracy of Publications." We agree with your findings. We appreciate you acknowledging that when we discovered errors in the publications, we immediately stopped distributing them to the public. You also noted that we subject most forms and publications we produce to a comprehensive quality assurance process each year to ensure their accuracy. In comparison, the number of publications issued by our individual program offices, which are not subject to this process, is very small.

We have guidelines in the Internal Revenue Manual (IRM) for reviewing documents used both as IRM exhibits and mailed to taxpayers. In addition, field offices must clear all locally produced Earned Income Tax Credit (EITC) print products through the EITC Program Office to ensure accuracy.

We continue to improve the clarity of tax publications, instructions, and tax forms. By making tax products easier to understand, we reduce taxpayer burden and decrease the need for taxpayers to contact us for clarification. To do so, we use the data obtained from surveys, along with other research and feedback from internal and external customers, employees, and business units, to identify specific tax forms and publications for reengineering and redesign. Based on filing trends and error patterns, we determine which tax products would yield the most benefit from further analysis. We successfully employed this methodology to identify the forms, instructions, and publications relating to the EITC and Child Tax Credit for redesign in 1998. After redesigning the products, we monitored the error rates for these credits and found the error rates have dropped significantly. We will use similar information mapping to redesign two tax products during fiscal year 2002: Schedule D, Capital Gains and Losses, and Form 1065, U.S. Partnership Income Tax Return.

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### **IDENTITY OF RECOMMENDATION 1**

TIGTA recommends that the IRS require all publications be reviewed for accuracy each year before they are distributed to taxpayers. Specifically, this would mean that all publications from special program offices, such as the EITC Program Office, would be reviewed using the same procedures required by the Technical Publications Branch of Media and Publications to review mainstream publications.

### **ASSESSMENT OF CAUSE**

Individual program offices do not always have a comprehensive control system to ensure the accuracy of publications originating from their offices.

### **CORRECTIVE ACTION**

To improve the quality of service we provide taxpayers, the IRS will establish a way to verify the accuracy of all materials for the public, regardless of the originating office.

### **IMPLEMENTATION DATE**

March 1, 2002

### **RESPONSIBLE OFFICIAL**

Commissioner, Wage and Investment

### **CORRECTIVE ACTION MONITORING PLAN**

Not applicable.

### **IDENTITY OF RECOMMENDATION 2**

The IRS needs to ensure that information subject to change, such as telephone numbers and addresses, contained in materials sent to taxpayers is accurate by strengthening its Internal Revenue Manual (IRM) review guidelines.

### **ASSESSMENT OF CAUSE**

The IRS does not have sufficient controls in place to ensure that publications give taxpayers accurate information.

### **CORRECTIVE ACTION**

To improve the quality of service we provide taxpayers, the IRS will establish a way to verify the accuracy of all materials for the public, regardless of the originating office.

### **IMPLEMENTATION DATE**

March 1, 2002

### **RESPONSIBLE OFFICIAL**

Commissioner, Wage and Investment

**CORRECTIVE ACTION MONITORING PLAN**

Not applicable.

If you have any questions or need additional information, please contact me, or Candice Cromling, National EITC Program Manager, at (202) 622-5994.